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**MANITOU-BARVUE
MINES LIMITED**

ANNUAL REPORT

1968

FOR THE YEAR ENDED DECEMBER 31

MANITOU-BARVUE MINES LIMITED

OFFICERS	J. E. COPELAND <i>President</i>
	T. L. MANSFIELD <i>Vice-President</i>
	WILLIAM JAMES <i>General Manager</i>
	G. D. PATTISON <i>Secretary-Treasurer</i>
	R. D. BELL <i>Assistant Secretary</i>
	S. A. PERRY <i>Assistant Treasurer</i>
DIRECTORS	J. E. COPELAND Ottawa, Ont.
	J. I. CUMMINGS Ottawa, Ont.
	R. L. EHRLMAN Butler, Pennsylvania
	T. L. MANSFIELD Hamilton, Ont.
	G. D. PATTISON Aurora, Ont.
	A. J. THOMAS Ottawa, Ont.
	J. J. URIE, Q.C. Ottawa, Ont.
MINE MANAGER	A. K. CAMPBELL Val d'Or, Que.
CONSULTING GEOLOGISTS	JAMES, BUFFAM AND COOPER Toronto, Ont.
AUDITORS	THORNE, GUNN, HELLIWELL & CHRISTENSON Toronto, Ont.
TRANSFER AGENT AND REGISTRAR	GUARANTY TRUST COMPANY OF CANADA Toronto, Ont.
HEAD OFFICE	SUITE 509, 25 ADELAIDE ST. W. Toronto, Ont.
MINE OFFICE	VAL D'OR, QUEBEC
ANNUAL MEETING	Suite 510, 25 Adelaide St. West, Toronto, Ontario. 11:00 A.M., June 27, 1969.

MANITOU-BARVUE MINES LIMITED

Suite 509, 25 Adelaide Street West
Toronto 1, Ontario

Report of the President and Directors

To the Shareholders,
MANITOU-BARVUE MINES LIMITED.

Your directors submit the Annual Report of the Company for the year ended December 31, 1968, together with the balance sheet and statements of income and deficit and source and application of funds, the auditor's report and the report of the general manager.

Net profit for 1968 was \$232,893 compared with a net loss of \$103,471 in 1967. This improvement in earnings resulted from the treatment of higher grade copper ore and higher prices for copper and silver combined with a minimal increase in operating costs. Ore milled during the year amounted to 466,410 tons consisting of 285,160 tons of copper ore and 181,250 tons of zinc-silver ore.

In last year's annual report it was stated that the copper ore reserves would be sufficient to maintain operations until the end of 1968. Because the higher copper price currently being received permits treatment of lower grade ore it is likely that these reserves will not be exhausted until approximately August of this year. The copper circuit will then be shut down and the treatment of zinc-silver ore will be gradually increased from 525 to 800 tons per day, i.e., 280,000 tons of ore per year. As there will then be excess milling capacity in the concentrator it may be possible to treat outside ore on a custom basis.

The exploration programme for silver-zinc ore mentioned in last year's report has been successful in delineating a significant tonnage of ore which is higher grade than the reserves listed in the 1967 annual report. As these new reserves were not delineated at December 31, 1968 we are listing the ore reserves in the general manager's report for two dates December 31, 1968 and April 1, 1969. It should be noted the latter reserve is over double the year end reserve.

The drilling in the upper eastern part of the mine near section 23,200 East has indicated a reserve of 335,000 tons with a grade of 0.013 oz. gold per ton, 6.2 oz. silver per ton, 2.19% zinc and 0.47% lead. This is after cutting the high silver assays to 30 oz. per ton and after a dilution allowance of 15%. The average silver grade of this ore before dilution and before cutting the high assays was 11.07 oz. per ton. The development of this ore zone has begun and stopes will be available for mining within one year.

Earlier in 1968 exploration in the same general part of the mine near section 22,300 East delineated a reserve of 135,000 tons with a grade of 0.017 oz. gold per ton, 4.22 oz. silver per ton, 4.04% zinc, and 0.40% lead before dilution. This reserve has since been developed and mining has been in progress for 9 months. Additional lower grade reserves have been outlined in the western part of the mine.

We will continue to concentrate on the exploration and development programme in 1969. This work combined with the reduced tonnage to be treated this year will increase the operating costs per ton but will result in higher mill heads and profits in the future.

On behalf of the Board,

J. E. COPELAND,
President.

Toronto, Ontario,
June 3, 1969.

MANITOU-BARVUE MINES LIMITED

Report of the General Manager

To the President and Directors,
Manitou-Barvue Mines Limited.

This report summarizes the results of operations at Manitou-Barvue Mines Limited for the year 1968.

Except for shutdowns during the eight days of statutory holidays, and for several shutdowns due to mechanical causes, which totalled approximately eight days for each milling circuit, the mine and mill operated for 12 months.

MILLING:

The copper milling section processed 285,160 tons of ore during the year compared with 294,640 tons in 1967. The grade of ore treated averaged 0.83% copper, as compared with 0.69% copper in 1967. Although there was a slight decrease in tons milled, the higher grade accounts for the considerable increase in pounds of copper produced.

The amount of gold in both the copper ore and the zinc ore increased considerably. There were 9,503 ounces of gold produced in 1968 compared with 6,666 ounces in the previous year.

In the zinc section of the mill 181,250 tons of ore were treated compared with 181,350 tons in 1967. The zinc, silver and lead content of the ore treated were lower than that treated in the previous year. Approximately 94% of the production was drawn from the low-grade zinc-silver zone. The remainder of the production came from the preparation muck of the new east zone on the 360 and 210 levels.

The following table compares the grade of zinc ore treated in 1968 with that treated in 1967:

	<u>1968</u>	<u>1967</u>
Zinc	2.20%	2.61%
Gold	0.036 oz.	0.029 oz.
Silver	0.81 oz.	1.34 oz.
Lead	0.08%	0.15%

The table below gives comparative metal production of 1968 and 1967:

	<u>Amount Produced 1968</u>	<u>Amount Produced 1967</u>
Zinc	7,111,958 lbs.	8,199,769 lbs.
Lead	209,084 lbs.	430,899 lbs.
Copper	4,492,040 lbs.	3,823,775 lbs.
Silver	125,158 ozs.	200,020 ozs.
Gold	9,503 ozs.	6,666 ozs.

NOTE: Because of the strike at the lead smelter in U.S.A. which began in July, 1967 and continued until April, 1968, no shipments were made until April 18, 1968. However, metal content shown above is the actual production from smelter returns after shipments were resumed.

MINING AND EXPLORATION:

Because of an increase in the price of silver which commenced in the second half of 1967 an exploration programme was initiated to test the east and west extensions of the ore zone.

At the eastern part of the mine a total of 44 diamond drill holes were drilled to outline a potential ore zone near section 22,300 East. This resulted in increasing the silver-zinc reserves by 135,000 tons and three shrinkage stopes were prepared on the 210 and 360 levels. Stope mining commenced in October, 1968.

A second zinc-silver zone near section 23,200 East was explored with 21 surface drill holes and 41 underground holes drilled from the 360, 510 and 660 levels. A zone of higher grade mineable ore was indicated, and a programme was initiated to extend the 210, 360, 510 and 660 levels east as far as required and to outline and mine the orebody. To date 335,000 tons of ore have been proven.

The western extension of the ore zone was explored with nine surface diamond drill holes with negative results.

The area below the low grade zinc zone was tested with six holes but no ore was found.

Several areas in the west part of the mine between the 960 and 1510 levels contained sufficient silver to warrant more detailed drilling. Drifts have been renovated on the 1110, 1260 and 1510 levels and detailed diamond drilling to April 1, 1969, has indicated a reserve of 235,000 tons with a grade of .024 oz. gold per ton, 4.20 ozs. silver per ton, 1.49% zinc, and 0.27% lead.

Diamond drilling was done in the vicinity of the copper zone but results were negative. In September it was decided to do additional diamond drilling on the 3090 level. Seven holes were drilled but no ore grade values were intersected.

Stoping operations in the copper zone continued on all levels between the 960 and 2180 horizon.

Salvage operations in the No. 2 shaft area were completed in all areas except the 3090 level.

ORE RESERVES:

The reasonably assured reserves as of December 31, 1968 are listed in the following table. These figures include an allowance for dilution.

ORE RESERVES — DECEMBER 31, 1968

Zinc Ore

Shrinkage Zone (Above 360 Level)	Tons	Ozs. Gold	Average Grade		
			Ozs. Silver	% Zinc	% Lead
Broken Ore	9,000	.024	5.07	4.26	0.23
Solid Ore	77,000	.019	4.04	4.42	0.39
Pillars (solid)	41,000	.010	4.27	3.21	0.47

Blast Hole Zone

Stopes — Broken Ore	106,000	.027	0.87	2.79	—
Pillars Solid Ore	58,000	.038	0.93	3.07	—
Total Zinc Ore	291,000	.025	2.30	3.37	0.17

Copper Ore

Copper Ore	Tons	Ozs. Gold	%	
			Ozs. Silver	Copper
Broken Ore	55,000	.004	0.11	0.73
Solid Ore	55,000	.004	0.16	0.71
Total Copper Ore	110,000	.004	0.14	0.72

In 1968 there was a net increase in zinc ore reserves of approximately 5,000 tons, after mining 181,000 tons.

At the year end the copper ore reserves had a net decrease of 215,000 tons after mining approximately 285,000 tons. No new copper ore was discovered during the year. The additions to the reserves were confined to the immediate extensions of the known ore zone.

During the first quarter of 1969 substantial increases to the silver-zinc ore reserves were developed from the areas outlined in this report. The following table lists the total ore reserve for the mine as of April 1, 1969.

TOTAL ORE RESERVES APRIL 1, 1969

Zinc Ore	Tons	Average Grade			
		Ozs. Gold	Ozs. Silver	% Zinc	% Lead
Solid Ore (Diluted 15%)	625,000	0.02	5.14	2.01	0.38
Pillars	99,000	0.026	2.31	3.13	0.19
Broken	109,000	0.023	2.61	3.29	—
Total Zinc Ore	833,000	0.021	4.47	2.31	0.31

Copper Ore	Tons	Average Grade		
		Ozs. Gold	Ozs. Silver	% Copper
Broken Ore	50,000	0.003	0.12	0.69
Solid Ore	10,000	0.012	0.29	0.79
Total Copper Ore	60,000	0.004	0.14	0.71

COSTS:

Tabulated below are the mine operating costs for the year 1968 compared with similar costs in 1967.

	1968	1967
Mining	3.07	3.11
Development	.30	.15
Milling	1.06	1.04
Marketing	.03	.01
General	1.14	1.15
	<u>\$ 5.60</u>	<u>\$ 5.46</u>

The increase in costs is due to an increase in development and exploration during the year. Other costs remained the same as in the previous year despite a 4.5% increase in wages effective April 14th, and a 4.3% increase in wages effective October 15th. During the year the number of persons on the mine payroll was reduced 5% from 255 to 242.

There were no capital expenditures during the year.

It is a pleasure to acknowledge the fine work of Mr. A. K. Campbell, his staff and employees, for their effective performance during the year.

WILLIAM JAMES,
General Manager.

Toronto, Ontario,
June 3, 1969.

MANITOU-BARVUE MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1968 (with comparative figures at December 31, 1967)

ASSETS

Current Assets

	1968	1967
Cash	\$ 312,923	\$ 34,030
Accounts receivable	1,491	1,211
Concentrates and precipitates (note 1)	721,386	759,541
Prepaid expenses	5,106	2,759
	<u>1,040,906</u>	<u>797,541</u>

Other Assets

Operating supplies, at cost	257,848	255,884
Special refundable tax	1,998	1,998
	<u>259,846</u>	<u>257,882</u>

Fixed Assets

Mine buildings, plant and equipment, at cost (note 2)	500,840	500,905
Mining lands and rights, including surface rights, at the consideration given therefor, consisting of 123,897 shares of capital stock valued at \$150,846 and \$90,651 cash	241,497	241,497
	<u>742,337</u>	<u>742,402</u>
	<u>\$2,043,089</u>	<u>\$1,797,825</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 219,081	\$ 176,168
Provision for severance pay	150,758	160,000
Quebec mining tax payable	14,700	—
	<u>384,539</u>	<u>336,168</u>

Long-Term Liabilities

5% Convertible sinking fund debentures (note 3)		
In U.S. funds	1,069,029	1,069,029
In Canadian funds	419,583	690,333
	<u>1,488,612</u>	<u>1,759,362</u>
Total liabilities	<u>1,873,151</u>	<u>2,095,530</u>

CAPITAL STOCK AND DEFICIT

Capital Stock (note 3)

Authorized — 8,500,000 shares of \$1 par value		
Issued — 3,040,171 shares (2,899,673 shares in 1967)	3,040,171	2,899,673
Less discount thereon (net)	604,866	675,118
	<u>2,435,305</u>	<u>2,224,555</u>

Deficit

.....	2,265,367	2,522,260
	<u>169,938</u>	<u>(297,705)</u>
	<u>\$2,043,089</u>	<u>\$1,797,825</u>

Approved by the Board:

J. E. COPELAND, Director.

G. D. PATTISON, Director.

MANITOU-BARVUE MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1968

1. CONCENTRATES AND PRECIPITATES

Concentrates and precipitates have been valued at the domestic market value of metals on the date of shipment from the mine. The vending agent at his option, may sell metals in the export market and because metals have been sold in the export market at higher prices than domestic market values and because of fluctuation in metal values the final proceeds from sales received subsequent to December 31, 1968 exceed their estimated value by \$170,000 (\$180,000 in 1967).

2. MINE BUILDINGS, PLANT AND EQUIPMENT

It is the company's policy not to provide for depreciation in the accounts. Generally accepted accounting principles in Canada would require a provision for the year of approximately \$25,000 based on a rate of depreciation of 12½ % of cost per annum. If depreciation was provided on the basis indicated above, the statement of income would reflect net income for the year of \$207,893 rather than \$232,893 as shown, and the depreciated value of the mine buildings, plant and equipment held for production of income would be approximately \$25,000 rather than \$500,840 shown on the balance sheet.

3. CONVERTIBLE SINKING FUND DEBENTURES

The 5% convertible sinking fund debentures mature December 31, 1977. Sinking fund payments of \$400,000 or 75% of the net profits of the company for the preceding year, whichever is the greater, are to be made for the redemption of the debentures on or before May 15, in each year. Such payments may be in cash or by deposit with the trustee for cancellation of debentures purchased by the company from the holders or converted by the holders for shares. The principal amount of debentures redeemed, purchased or converted in excess of the amount required shall be credited against future sinking fund payments. A supplemental indenture provides that no sinking fund payment will be required in 1969.

During 1968 the company purchased for cancellation directly from various holders \$60,000 principal amount of debentures at a cost of \$36,000 (1967 — \$235,461 principal at a cost of \$182,372). The debentures purchased by the company have been delivered to the Trustee for cancellation.

No funds were required to be deposited with the trustee to meet the 1968 sinking fund commitment because a sufficient principal amount of debentures purchased for cancellation and/or converted into shares by the holders had been previously deposited with the trustee.

Supplemental indentures provide that no interest be paid on the debentures for the years 1962 to 1968 inclusive.

The debentures are convertible into shares of the capital stock of the company on or before December 31, 1970, at the price of \$1.50 per share. During 1968 140,498 shares were issued on conversion of debentures and 2,241,274 shares remain reserved for future conversion. The premium on shares issued during the year has been credited to discount on shares.

4. PROVISION FOR MINING TAX

Assessments respecting duties payable under the Quebec Mining Act for the years ended December 31, 1959 to 1962 inclusive are being contested. An adverse decision could result in additional liabilities of approximately \$85,000.

5. INCOME TAXES

No provision for income taxes is required for 1968 because of the availability for tax purposes of preproduction expenditures, capital cost allowance and a prior year's loss.

6. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Corporations Act) for 1967 is as follows:

	1968	1967
Directors	\$ 13,875	\$ 12,000
Senior employees	63,700	59,540
	<u>\$ 77,575</u>	<u>\$ 71,540</u>

MANITOU-BARVUE MINES LIMITED

STATEMENT OF INCOME Year Ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Sales of concentrates	\$2,911,444	\$2,543,604
Other income	11,973	582
	<u>2,923,417</u>	<u>2,544,186</u>
Operating expenses		
Development	137,695	71,974
Mining	1,431,832	1,478,997
Milling	496,714	493,293
General mine expense	532,920	545,900
Administrative expense	65,895	57,493
Mining tax	25,468	—
	<u>2,690,524</u>	<u>2,647,657</u>
Net income (loss) for the year (notes 2 and 5)	<u>\$ 232,893</u>	<u>\$ (103,471)</u>

STATEMENT OF DEFICIT Year Ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Deficit at beginning of year	\$2,522,260	\$2,450,928
Add		
Loss for the year		103,471
Uncollectible account receivable		20,950
	<u>2,522,260</u>	<u>2,575,349</u>
Deduct		
Net income for the year	232,893	
Gain on purchase for cancellation of 5% convertible sinking fund debentures	24,000	53,089
	<u>256,893</u>	<u>53,089</u>
Deficit at end of year	<u>\$2,265,367</u>	<u>\$2,522,260</u>

MANITOU-BARVUE MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1968
(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Source of funds		
Operations		
Net income for the year	\$ 232,893	
Sale of fixed assets	65	\$ 225
Reduction of operating supplies		84,407
	<u>232,958</u>	<u>84,632</u>
Application of funds		
Operations		
Loss for the year		103,471
Purchase for cancellation of 5% convertible sinking fund debentures ...	36,000	182,372
Uncollectible account receivable		20,950
Purchase of fixed assets		786
Special refundable tax		41
Increase in operating supplies	1,964	
	<u>37,964</u>	<u>307,620</u>
Increase (decrease) in working capital	194,994	(222,988)
Working capital at beginning of year	461,373	684,361
Working capital at end of year	<u>\$ 656,367</u>	<u>\$ 461,373</u>

AUDITORS' REPORT

To the Shareholders of
Manitou-Barvue Mines Limited:

We have examined the balance sheet of Manitou-Barvue Mines Limited as at December 31, 1968 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the omission of depreciation referred to in note 2, we report that in our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Toronto, Canada
May 1, 1969

